



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP
QUESTION AND ANSWER SESSION FOLLOWING THE SINGAPORE
LECTURE - "AUSTRALIA, ASIA AND THE NEW REGIONALISM",
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Q: Mr Keating, my question is in two parts. First, Australia has spent a great deal of time and effort on multilateral security initiatives. What has prompted the sudden desire to engage in bilateral security arrangements with Indonesia? On that note, considering Indonesia's traditional reluctance to sign security treaties, what in your opinion has motivated Indonesia to accede to the Australia-Indonesia Agreement on Maintaining Security?

PM: I don't think it is accurate to describe Australia's interests in security arrangements as simply multilateral. In fact, its central security arrangement has been bilateral and that is, of course, the ANZUS Treaty between Australia and the United States. We have had other multilateral treaties and have them. The Five Power Defence Arrangements, of course, in this context springs immediately to mind.

But the Five Power Defence Arrangements themselves reflect, in part, the history of the confrontation period and now the years have gone by, ASEAN has come, regional cooperation in South East Asia is now the norm, and yet Australia was a party to and remains a party to and has affirmed this very day, its commitment to the Five Power Defence Arrangements. Yet the period of confrontation brought many suspicions to Australia about Indonesian intentions as they brought those same suspicions, very obviously, to Singapore and Malaysia.

As a consequence, the relationship which Australia had with Indonesia from its founding in 1946, where we were the first country to recognise its independence, who took a leading role in the United Nations in its independence, and who claimed proudly some very direct and influential association in the birth of its independence, this confidence and friendship was muted over the years as a result of events in the

1960s and because of Timor and other things in more modern times. Yet the event of greatest positive strategic significance to Australia in the post-war years was the election of President Soeharto's new order government.

So it seemed to me and to my government that we should make clear that we regard the government of Indonesia and Indonesia as an influence of positive strategic significance to Australia and that we do not hold Indonesia in suspicion, that we accept its statements that it has no territorial ambitions in conflict with Australia and I am sure President Soeharto accepts my declaration that we have no territorial ambitions towards Indonesia.

Therefore, we are neighbours locked together by geography and, in some respects, by a very happy history surrounding the birth of their country. And we thought the time was right to make that declaration to declare our friendship, to banish forever any lingering suspicions and I believe the best way of doing that was to say that we share a common regional perspective and that we share a common perspective on matters of security and that we should engage one another on that subject. These are all the elements of the treaty.

The second part of your question was, why did Indonesia agree to the treaty when it has a history of non-alignment? I think it is for this reason that Indonesia does regard Australia in a friendly way, that making such an arrangement, or declaring such an arrangement, between countries in friendship, doesn't offend any non-aligned principle, and there was also the whole issue of the strength of our position - Australia is an island continent, as I remarked in my address. We are in the fortunate position of sharing a border with no one. We are the only nation on earth with a continent to ourselves and our nearest neighbour is a nation of 200 million and I believe the largest archipelago in the world.

There are very large strategic issues to be considered always in that kind of geographic environment. So I think on the basis of friendship of a common view, of the things we are doing bilaterally and multilaterally, and also in juxtaposition to the Five Power Defence Arrangements it gave the region more solidity and more security and more confidence for Australia to make this arrangement with Indonesia and I believe Indonesia thought that too.

Q: I would like to ask Mr Keating two very simple questions. One, you make constant reference to the region. As Australia's Prime Minister, what is the geographical boundary of this region you are referring to. Two, you are a very strong advocate and, of course, initiator of APEC. Yet, in your lecture on regionalism, you are singularly silent on the EAEC - Dr Mahathir's proposal - as well as on the Indian Ocean Association. In the case of the EAEC, I understand many Australians

are adversary. But in the case of the Indian Ocean Association, I understand that many Australians are strong advocates. Could I have your views please, thank you?

PM: Well, I think, there will be all sorts of definitions of the region. I mentioned in my speech my Foreign Ministers definition, which is the East Asia hemisphere. That is that slice of the orange which takes you down through East Asia and through Australasia. But while that may describe the East Asia hemisphere, or perhaps you could call it, too, the Pacific Rim depending on how large a slice you take. One thing we are all clear about, I think, and that is that it is good for us to have the largest economy and the largest liberal democracy in the world economically and strategically engaged in East Asia and that is the United States. And the United States strategic protection of Japan and Korea, which is embodied in their treaties, remains more convincing to everyone in the region if it is underpinned by a higher level of United States economic engagement.

This is, perhaps, the distinguishing feature between the EAEC proposal and APEC. And it is also the fact that the United States represents the largest market for the greater number of the developing countries of East Asia. So it is the largest market and it is the largest strategic power and the largest strategic influence.

So APEC, as distinct from East Asia, includes of course the United States which has a boundary on the Pacific Ocean. So it is a trans-Pacific body and, I think, that is the distinguishing feature between the two.

As for the Indian Ocean, I think some good may come from some clarity about common interests in Indian Ocean trade patterns and trading trends, or even trading facilities. But I don't see the Indian Ocean as being part of APEC or the APEC region, which is distinguished by the coincidence of its trade sinews and its strategic alliances. The Indian Ocean is altogether different.

Q: Mr Prime Minister, this security treaty that Australia has signed with Indonesia is it a bilateral confidence building expression, or is it a concrete defence arrangement whereby if Indonesia feels threatened in the matter of the Spratley Islands Australia will have to respond to this challenge?

PM: You should be writing for an Australian newspaper. No, it is not a security pact. It is a treaty about maintaining security and adverse challenges to what we perceive to be our mutual security. And those challenges may be military, but more likely not and therefore we would discuss with one another how we would respond to those challenges. They could be environmental, they could be in all manner of fields. But the fact of the matter is that it is above everything else a

declaration of the trust between us, in a statement that we do see ourselves having a common strategic outlook and common strategic interests, and that we are prepared to consult and discuss them whenever they are challenged. That is what it is.

Q: Mr Keating, could you please give a definitive definition of APEC's commitment to open regionalism? Does this mean that APEC would extend its free trade obligations to others on a reciprocal basis, on a unilateral MFN basis, does it mean the simultaneous lowering of its barriers to its non-members as it lowers its barriers to its members?

PM: Well you might recall I said in my address that one of the rules should be that we don't close the Asia-Pacific area off, that we don't get complacent about it, that we are not smug about it were we to keep it growing, and that we should engage with the rest of the world and extol the virtues of the WTO and the multilateral trading arrangements that came from the Uruguay Round. That is the position I hold fairly firmly.

The other thing is that Australia did some substantial economic modelling on APEC to examine who received the greater benefits and the benefits total, we believe, up to the region of US\$1 trillion of additional wealth from the APEC reforms. That is the Australian and Korean economies together in additional value and, obviously, some countries will secure more of that trillion of benefit than others. But one thing that the study did reveal is that there is a very minimal free rider effect from countries outside the Asia-Pacific.

In other words, the notion that the European Union, for instance, would in some way be a free rider on the reforms in APEC were not really borne out by the study, which only reinforces in my mind the view that the issue of whether APEC is a preferential or MFN area is really not much of an issue at all. And, even if we were to make it a preferential area, and under the GATT rules it was a free trade area, each individual country could independently decide whether it wanted to extend the preference anyway.

I think more likely we will all decide that we do want it to be an open system. But, of course, this is a matter of debate in the United States and I think if the United States is convinced that there is no free rider effect, but a much more harmonious world effect, they would probably share the view that I would take - and I suspect your Prime Minister takes - about where we see APEC and free arrangements in the Pacific going.

Q: It is quite clear that economically and geopolitically Australia is part of Asia. Yet, historically and culturally it has been affiliated with the Anglo-Saxon world. To what extent do you see this as a hindrance or a handicap on your efforts at integrating within Asia?

PM: I don't see it as a hindrance or a handicap. The point I made in the speech is Australia is unique. I mean Australia is unique in many ways. For a start I mean as a nation, let me repeat the point, we share a border with nobody. The continent is old - it is geologically old. Australia is a very old place. Evidenced, in part, by the fact that the indigenous civilisation had been there for 40,000 years.

The important thing for Australians of European origin, or Asian origin, is that they understand that it is imperative that to become part of the region, let's call it that rather than Asia - the region - it has to come to terms, first, with its own indigenes, so that we are at peace with ourselves, that we move together, forward, as a nation, and that the tolerance and diversity I mentioned in the text is the defining quality that marks out the Australian nation as a unique nation.

If it is unique, therefore, why would it want to be Asian. I mean it would have a crisis of confidence if it wanted to be anything other than what it is. And whatever else Australia has, it has no crisis of confidence.

What we want to be is part of the region. We don't want to be Asian, though of course over half of our intake in migration now comes from Asia and the culture of Asia is having a very large impact within Australia and upon Australia. But the fact that 75 per cent of our exports go to the Asia-Pacific area, already I think underlines that we are integrated with the region and that is what we want to be. As I said, it would be foolish for us to describe ourselves as Asians because we are not.

Whether we are part of Asia, or the Asia-Pacific, is a debating point. Whether we are part of the East Asian hemisphere, or that slice of the orange, is another debating point. But we are not European, as I said, we are not African - we are Australians and I believe we can play not just an active role in this region, but a very constructive and supportive role which will enhance the quality of life for people in the region - Asian people in the region - as well as people who have come from Europe.

Q: Mr Prime Minister, sir, - you have made it very clear that Australia is not Asian, but you have also told us that you are in the "others" category and it's a bit difficult to be one country in a single category. I would like to invite your comments on a possible grouping, which is not Asian, but Oceania, which could include New Zealand and the other islands around Australia and New Zealand and the region. I would like to invite your comments, on this as a possible grouping, and with the Chairman's indulgence, a related question - what are your comments on an Asia Oceania community?

PM: Well, I'm not sure I am the one to decipher or divine the ways of the United Nations, in that mirror-maze and mish-mash of interests, who am I to say what grouping we should belong to. But let me make this point - it doesn't overly exercise our mind. We are engaged with the region, and we're playing that role, I think, conscientiously, because we are here, we live here and we want to be with our neighbours. Our principal focus is with our neighbours, and it seems incongruous to us, that we are with Europeans and others, but I can assure you that we are not wandering around saying where are we? Because, it is no burden to inherit a continent, and when they were giving them out, not too many people got one. And when you got one, you don't wonder about it, you just be grateful for it.

Q: My question is about human rights - how do you see, Mr Keating, the role of regional organisations, and particularly APEC which is the one regional organisation Australia is part of, in promoting dialogue about human rights? What we mean by human rights, I guess, is another question.

PM: Well, I think it is another question for many people. I made the point in the speech that Australia is one of the oldest democracies in the world. You know, we had universal suffrage, secret ballots, before the United Kingdom for instance. Egalitarianism and equity have mattered in our country, and the rights of individuals have mattered. And I think the reason for Australian tolerance of a very multicultural population, or the degree of tolerance within that population, comes from the deep sense of democracy which Australia has. That sense of democracy gives everybody a lot of intellectual space, and therefore, human rights, and the liberties, and all the issues of the social contract have always been in our mind, and they always will be. But that's not to say that we can impose our values on others, but we know and we invariably, whenever we think human rights have been violated, we say so. And when they are perpetually or consistently violated, we keep on saying so. But I think we know the dialogue of the answer, and that economic growth and prosperity - generally - will liberate many societies or individuals oppressed in this way. And it is impossible to grow economies and societies without growing their politics as well - it's not possible to liberate them, and yet constrain liberty, freedom and the mind. So, in the quest for economic growth and prosperity, these things have been great liberalising forces in breaking down ideology and lifting opportunities, and with it - one hopes - a premium on human rights and good values. These are the things we have been supporting, as well as forthrightly putting a view whenever we think those human rights are violated.

But I am often asked is the Australian sense of democracy and liberty a handicap in dealing with Asia, and I never believe that it is, because I think Australia can contribute a lot to the region. It is a

very democratic state, and people's liberties are very obviously clear, and taking that sort of inheritance, and tradition, to the region, I think must be a good thing.

Q: Recently, the Prime Minister's of Thailand and Vietnam met in Hanoi and they said that a way to keep peace in the region is to have - the region of South-East Asia - is to have a defence alliance in the region. May we have your views regarding what are Australia's views towards such a proposal? And whether Australia will participate if such a proposal is endorsed by the whole region?

PM: Well, I think....I didn't know of this, but you have informed me this has happened. But let me say that I think that a commitment to security and respect for the affairs of others is a good thing - a web of declarations saying so is, I think, a good thing. And if you look at just the discussion we have had in these last few minutes, about this declaration between Australia and Indonesia. The affirmation today between our two Governments here, about our arrangements. The discussions I have just had with Prime Minister Mahathir around some of the same subjects, with his country a member of the Five Power Defence Arrangements. I mean, that constitutes something of a web. And whether the web moves through Thailand and Indo-China, I guess is a matter for those countries. The main thing is, I think, that none of this should be discerned as in any way a policy either seeking to contain China, or needing to. Because as I made clear in my remarks, I don't believe China is an expansionist power - it is a country focussed on its internal development, and we should be doing everything to fully engage it, and to cooperatively, bring it into the world. That's the way to respond to China.

But again, China, or Vietnam, or Thailand, or Indonesia, or Australia, or Singapore are entitled to make prudent arrangements, or to have prudent structures, that have an eye to their security. And I think the security of one's people is the first duty of any government. So, I don't have any problem with this at all, and this general commitment to a stable situation and respect for others is the kind of healthiness I think we have always wanted to see.

Q: Mr Prime Minister, in your talk this afternoon you touched briefly on China, but one issue that you have missed out is the China - Taiwan relationship. Now, I have two questions, if you don't mind Mr Chairman?

C: Well, keep them short.

Q: Okay. First question is Mr Prime Minister - what is your position on this issue, and second question is, in the likelihood of a flare-up across the Taiwan Straits, and as Australia becomes an increasingly

significant player in the Asia-Pacific region, what do you think the role of Australia would be?

PM: Well, Taiwan is a competent economy - a highly developed, competent economy, as is Hong Kong. One of the points I made earlier about APEC is, I mentioned this point about flexibility within regional structures, in the context of inflexibility in the bi-polarity of global arrangements. Remember I made the point about Afghanistan and Angola, how they were dressed up as being regional issues, they were really global ones. They were sub-sumed into the global discussion - the bi-polarity that existed in the Cold War. What we are seeing in regional arrangements here, say, with ASEAN, with APEC - and particularly you can see it in APEC - is that you have got China sitting there with Hong Kong and Taiwan represented there. So there is, indeed the point I was making is there is flexibility. You can get flexibility into regional arrangements you mightn't be able to get into global arrangements. Now, Taiwan operates as a competent, effective economy, but we accept China's view about Taiwan's status. We also accept the fact that China is going to have a number...there are going to be a number of Chinese economies - Hong Kong will remain one, Taiwan will remain one, and there will be parts of China growing at different rates than other parts, and we may see discernible parts of China be more prosperous than others - I think we are already seeing that. In other words, the development of sub-regional economies in China. Now, I don't have any problem with that, but I do have a problem with Taiwan having, say, government status head of government, leadership level within APEC. So, our position on this is pretty clear - it has always been clear,

Q: Prime Minister Keating, despite any number of treaties that countries may have, either unilateral, bilateral or multilateral, it's only when push comes to shove - effectively, when there is war - that the commitment to these treaties is tested out. But particularly at that time, it seems to be the world security council that has a bigger say in things than anyone else. What in your view Mr Keating, rather, what is your view, of the present constitution of the present world security council, and how - if at all - could it be changed to better serve the interests of everyone concerned?

PM: Well, reform in the United Nations is a very big subject and there are people more specialist and more have more specialist views about it than I. Indeed, my Foreign Minister has written a book on it. So, I am not game to say too much about it other than repeat what I said in my remarks. When the second largest economy and the third largest economy in the world are not part of the governing structure of security we have an immature structure. It is 50 years now since the war in the Pacific and the war in Europe and the time has come, I think, for Japan and Germany to take their proper place in these forums. I think that would do much to improve the security council. As to its broader

charter I don't know. At this point, I think, you could say that for whatever reason the United Nations has not garnered, not drawn to it, not drawn down the national authorities one might have expected it to have been able to draw down when the Berlin Wall came down in the post Cold War period. This hasn't happened.

That is why I believe that a far superior way of dealing with problems is to eliminate them at their source. One of the ways we are doing that here is we are co-operating together. I talked about the sense of fellow feeling and good will at APEC meetings when the Leaders sit down. The chemistry of the meetings is quite interesting. There are 18 leaders without officials and they all now know one another well. They have bilateral meetings, they have occasional casual meetings, they have a good feeling together and they know they are co-operating in a bigger undertaking in opening up their economies and lifting prosperity. This is a much better way of dealing with problems than relying on some structure within the United Nations, no matter how modern or how adaptive it might be.

Q: Mr Prime Minister, I am curious as to what you consider to be a priority in as far as the progressive equation of Australia goes ... risk management or opportunity seizing and I am curious as to how you feel your recent ... relations in the region may have helped one cause or the other?

PM: I think that the primary one is opportunity seizing as you put it. The way to keep east Asia growing is to keep it properly resourced. It won't keep properly resourced unless the avenues, of resource availability are open and the impediments are taken away. Be it tariffs or non-tariff barriers or other traditional policies. These are the things, I think, the efficient commitment of resources of the region to our respective economies is the way to best guarantee that the east Asia growth phase continues. That is what, essentially, APEC, is about. It is essentially what a lot of Australian foreign policy is about, it is a lot of what our bilateral relations are about. How we create better trade and investment opportunities, how we create a climate of confidence and in doing that how the region then prospers. In a prospering region these questions about risk management become much less important. Compare your own country or Malaysia with 30 years ago. Look at the attendant risks then and now and what has been the intervening influence. It has been economic growth. But, you won't get economic growth, many countries don't have resources or adequate resources or they don't have skills or they don't have other things. What I am trying to do, what I think your Prime Minister is trying to do, I think what all of us in the region are trying to do is open the flows, to let the flows happen naturally and to keep the growth phase continuing. And in that way, we all seize the opportunities and the emphasis on risks then become very greatly diminished.

Q: Mr Keating, you mentioned earlier your opinion as to who should be the new members of the Security Council of the United Nations. Now, this debate on the increased membership of the United Nations has been going on for years and years. The problem is the cost, there are far too many members in the United Nations and each continent is advancing their own members. Now, don't you think it would be better to have an agreed criteria, of course, the important word is agreed and that would be a problem of course, an agreed criteria on which members could be appointed.

PM: The United Nations exists on the principle of universality, I think. And it was the great attempt in the post war years to develop a new order of collective security and that had to be representative of the growth of nations. As people threw off their colonial yoke and took their independent status, obviously the numbers within the United Nations have grown. I don't think that is what has made it ineffective. Any argument about its effectiveness was probably overshadowed by the influence of the cold war and the bi-polarity of those two powerful nations - the United States and the Soviet Union. That is not to say there isn't a place for a healthy debate about the future shape of the United Nations or how it can work effectively. All I am saying is that the second and third largest economic power should certainly be in the business of the Security Council. What I am not saying here is what the design of some of these instruments should be. What I am saying is that regional arrangements and regional solutions are going to be more important and can be very effective. I made the point in this region, the arrangements are between developing and developed countries. There is no hierarchy. If you look at our multi-lateral bodies, be it ASEAN or APEC, there is no hierarchy. The developing countries, indeed look at the Bogor Declaration that came from one of the largest developing countries in the area.

So, regional bodies can do good and effective things and I think where many regional problems in the past have been glossed over or papered over by the bi-polarity which has existed, the tensions are now coming to the fore and they are best, I think, dealt with regionally. If they spill over, they may spill over to the UN, but I think there are other solutions to the world's problems, other than the UN, despite the fact that the UN remains a very useful body.

Q: Mr Keating, I would like to ask you about exchange rates, they have not been mentioned at all this afternoon.

PM: You are a punter are you?

Q: A number of impediments have been offered that might stand in the way of further APEC, Pacific Rim or whatever developments in the next 20 or even 30 years. European experience suggests that when a number of other problems have been cleared out of the way, currency

then starts to rise towards the top of the list as being something which simply stays in the way. Do you feel we might see any kind of developments on currency harmonisation in this region over the next 10 or 15 years and perhaps if we do see a regional unit I might dare to suggest a name for it, the regional unit of course would be called 'ARU'.

PM: [tape turn] ... what will happen in these things, but I doubt very much that any of this would ever be in a position of being able to design something which provides so-called stability to exchange rates. I mean, since the days of fixed exchange rates broke down in the 1970s and we have not got a very large flux of international markets and flows of funds and where each countries characteristics are different and where they are assessed differently and where their levels of wealth and prosperity are different, of course, the value of their currency will reflect that. And in the reflection of it, it will adjust the parameters within the economy as well as with the outside of it. So, I am not one for managed exchange rates. I don't believe in them. All that happened in the Plaza Accords which we often heard about in the 1980s was a lucky break at the end of a long period when a correction was overdue. If the Plaza Accord partners today sought to do what they did then, I think, the markets would trample on them. So, if you run a good country with good policies you can always stand in the market place and get a fair price on your currency. It might be a bit overdone some days and a bit underdone on another, but by and large, the fundamentals will come out and, I think, tricky management by central bankers trying to pick the rate has been the cause of much of the world's problems in the post war years. It is a habit we have all kicked and, I think, it should stay kicked.

Q: Prime Minister, earlier on you mentioned recently the significant increase of Asian migrants into Australia. It has been well documented that this has caused some problem and some Australians have been rather upset about this trend. Does this worry your government and will you please comment on what is your government going to do about that.

PM: I don't want to correct your assumptions in any strident way, but let me assure you there is very little tension or adverse comment in Australia about the make up of the migration intake. Half of it now is from Asia and the settlement of people in Australia is as harmonious now as it was five years ago or ten years ago or earlier. In fact, I think it is more harmonious now than perhaps it has ever been. Australia is singularly devoid of racial problems, be it around Asians or Muslims or any other categories of persons. By and large it is not an issue there. The issue in Australia, if there is an issue, is just on a population basis, how large the migration program should be, not what its composition is. So, I am very happy to report to you that what may be perceived, perhaps in some places, maybe here in Singapore, that there is some resentment

if that is the implication of your question about a high proportion of Asians in the intake, that is not so. I represent a constituency which has a very cosmopolitan makeup and I have a very good feel of these issues in Australia. I can assure you that there is almost complete equanimity about the character of the cosmopolitan makeup of the country. I think people are very happy with Asian migration to Australia. It has brought wealth, business experience, diversity, strength. I think, if there is perhaps one phrase that I could borrow from that, it is that many Australians feel that in diversity there is strength and vitality and interest and that it is no longer really an issue for us. To manage our country or our society in some exclusive way to Asia, it is not on and it hasn't been on for 25 years.

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